



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

APPELLANTS: Chang et al.
APPLICATION NO.: 09/851,553
CONF NO: 4034
FILED: May 8, 2001
TITLE: System and Method for Electronic Transaction Settlement
EXAMINER: Kirsten Sachwitz Apple
ART UNIT: 3693
ATTY.DKT.NO.: PA1640US

CERTIFICATE OF EXPRESS MAILING UNDER 37 CFR 1.10

I hereby certify that this correspondence is being deposited with the United States Postal Service "Express Mail" service under 37 CFR 1.10 in an envelope addressed to: Mail Stop Appeal Brief--Patents, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450, on the date printed below:

Date: 3-6-2008

K. Brian Bathurst
K. Brian Bathurst, Registration No. 51,442

MAIL STOP APPEAL BRIEF--PATENTS
COMMISSIONER FOR PATENTS
P.O. BOX 1450
ALEXANDRIA, VA 22313-1450

APPEAL BRIEF

This appeal brief is submitted in response to a Final Office Action of February 27, 2007, which rejected claims 1-12 of the above-referenced patent application. The appeal brief herein is submitted with a petition and a fee for a five-month extension of time.

03/10/2008 SDENB0B3 00000051 09051553

02 FC:2402

255.00 OP

(1) Real Party in Interest

The real party in interest is Verso Technologies, Inc.

(2) Related Appeals and Interferences

To the knowledge of Appellants' legal representative, there are no related appeals or interference proceedings which will directly affect, or be directly affected by, or have a bearing on, the Board's decision in this Appeal.

(3) Status of Claims

Claims 1-20 were originally filed on May 8, 2001. A Non-Final Office Action was mailed on March 15, 2006, rejecting all of the claims with the exception of claim 12. In response, applicants cancelled claims 13-20 and added claims 21-24 on August 15, 2006. On November 6, 2006, a requirement for restriction was mailed. Applicants responded to the restriction requirement on November 20, 2006 by cancelling claims 21-24, and electing to keep claims 1-12 in the prosecution. On February 27, 2007, applicants received a Final Office Action rejecting claims 1-12.

Claims 1-12 presently stand rejected and are being appealed.

(4) Status of Amendments

An Amendment after Final was filed on April 27, 2007. A first Advisory Action having a mailing date of June 5, 2007, informed applicants of the non-entry of their Amendment based on the reasons stated in the February 27, 2007 Final Office Action. A Notice of Appeal along with a fee and a petition for a one month extension of time was mailed on August 1, 2007, and received

by the patent office on August 6, 2007. A second Advisory Action having a continuation sheet was mailed on September 5, 2007.

(5) Summary of Claimed Subject Matter

Independent claim 1 recites a method for settling an electronic transaction. An embodiment of the claimed method is shown in Figure 3. The method of claim 1 includes: 1) a customer providing a merchant with a customer identifier, 2) the merchant sending the customer identifier and a transaction amount to a settlement house, 3) the settlement house contacting the customer, 4) the customer selecting a payment method and transmitting the selected payment method to the settlement house, 5) the settlement house sending the transaction amount and customer identifier to a financial service provider associated with the payment method, 6) if the electronic transaction is approved by the financial service provider, sending an approval to the settlement house, 7) the settlement house sending the approval to the customer, 8) the customer approving the transaction amount, and 9) the settlement house finalizing the electronic transaction with the financial service provider and the merchant.

Regarding the limitation found in claim 1 of 1) a customer providing a merchant with a customer identifier, “[f]irst, in step 310, customer 118 provides identification to merchant 112.” Specification, page 8 lines 14-15 and Figure 3, step 310.

Regarding the limitation found in claim 1 of 2) the merchant sending the customer identifier and a transaction amount to a settlement house, “[n]ext, in step 312, merchant 112 transmits the identification of customer 118 to settlement house 110.” Specification, page 8 lines 18-19 and Figure 3, item 312.

Regarding the limitation found in claim 1 of 3) the settlement house contacting the customer, "[i]n step 314, settlement house 110 contacts customer 118." Specification, page 8 line 20 and Figure 3, step 314.

Regarding the limitation found in claim 1 of 4) the customer selecting a payment method and transmitting the selected payment method to the settlement house, "[t]hen, in step 316, customer 118 selects a payment method, for example a credit card, and this selection is transmitted to settlement house 110." Specification, page 8 line 20 to page 9 line 1, and Figure 3, step 316.

Regarding the limitation found in claim 1 of 5) the settlement house sending the transaction amount and customer identifier to a financial service provider associated with the payment method, "[i]n step 318, settlement house 110 contacts credit provider 116 for approval of the transaction. Settlement house 110 then transmits the account information, for example the credit card number, and the amount of the transaction." Specification, page 9 lines 4-7 and Figure 3, step 318.

Regarding the limitation found in claim 1 of 6) if the electronic transaction is approved by the financial service provider, sending an approval to the settlement house, "[i]n step 318, settlement house 110 contacts credit provider 116 for approval of the transaction." Specification, page 9 lines 12-14, and Figure 3, step 320.

Regarding the limitation found in claim 1 of 7) the settlement house sending the approval to the customer, "[i]f credit provider 116 approves the transaction, then in step 324

settlement house 110 forwards the approval to customer 118..." Specification, page 9 lines 4-7 and Figure 3, step 324.

Regarding the limitation found in claim 1 of 8) the customer approving the transaction amount, "...customer 118 approves (OKs) the transaction to settlement house 110." Specification, page 9 line 14 and Figure 3, step 324.

Regarding the limitation found in claim 1 of 9) the settlement house finalizing the electronic transaction with the financial service provider and the merchant:

[i]n step 326, settlement house 110 sends the approval of customer 118 to credit provider 116, which then adds a charge in the transaction amount to the account of customer 118. In step 328, settlement house 110 sends a transaction record to merchant's band 114, which credits the account of merchant 112 with the transaction amount. Specification, page 9 lines 16-22, and Figure 3, steps 328 and 330.

Dependent claims 11 and 12 will be argued separately under the provisions of 37 C.F.R. §41.37(C)(1)(vii).

Regarding dependent claim 11: The method of claim 1, wherein the payment method is a debit card: "[c]ustomer 118 may have the option of choosing among several credit cards or debit cards..." Specification, page 9 lines 2-3. Claim 11 limits claim 1 by considering those embodiments where the customer selects the use of a debit card.

Regarding dependent claim 12: The method of claim 1, further comprising the step of: if the electronic transaction is not approved by the financial service provider, the customer selecting an alternate payment method: "[i]f credit provider 116 denies the transaction, then in

step 322 settlement house 110 forwards the denial to customer 118. The method returns to step 316, where customer 118 may select an alternate payment method." Specification, page 9 lines 8-11 and Figure 3, steps 320 and 322. Claim 12 limits claim 1 by outlining the steps to be followed in the event that a credit provider denies the transaction.

(6) Grounds of Rejection to be Reviewed on Appeal

Claims 1-8 and 10 have been rejected under 35 U.S.C. §102(e) as being anticipated by Hultgren (US 6,868,391 B1 or "Hultgren").

Claim 11 has been rejected under 35 U.S.C. §102(e) as being anticipated by Hultgren.

Claim 12 has been rejected under 35 U.S.C. §103(a) as being unpatentable over Hultgren in view of official notice.

(7) Argument

(A) Applicable Law

"A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference." *Verdegaal Bros. v. Union Oil Co. of California*, 814 F.2d 628, 631 (Fed. Cir. 1987).

"To establish inherency, the extrinsic evidence 'must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.'" *In re Robertson*, 169 F.3d 743, 745 (Fed. Cir. 1999).

"[T]he Board cannot simply reach conclusions based on its own understanding or experience-or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings." *In re Zurko*, 258 F.3d 1379, 1385 (Fed. Cir. 2001).

(B) Appellants' Understanding of the Examiner's Position

With respect to claim 1, the Examiner maintains that the steps of:

- 1) a customer providing a merchant with a customer identifier;
 - 2) the merchant sending the customer identifier and a transaction amount to a settlement house; and
 - 3) the customer selecting a payment method and transmitting the selected payment method to the settlement house,
- are taught by Hultgren.

(C) Novelty of Independent Claim 1 over Hultgren

Hultgren does not expressly or inherently teach nor suggest the element of a customer providing a merchant with a customer identifier.

"A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference." *Verdegaal Bros. v. Union Oil Co. of California*, 814 F.2d 628, 631 (Fed. Cir. 1987).

Appellants' claim 1 recites "a customer providing a merchant with a customer identifier." Hultgren does not teach a customer providing a merchant with a customer identifier. The Examiner points to item 300 of FIG. 3A as teaching this limitation. March 15, 2006 Non-Final Office Action, p. 3. Although item 300 reads "obtain customer identifier," item 300 does not illuminate what entity obtains the customer identifier, or what entity provides the customer identifier. To read on this limitation of claim 1, the customer identifier must be

provided by a customer and to a merchant. However, with reference to item 300, Hultgren teaches that "[a]t telepay TSN 30, upon initially handling the call customer communications, module 202 obtains a customer identifier (e.g., customer directory number) from the call signaling which sets up the call" (col. 6 lines 22-26). Here, the customer identifier is provided to module 202 which, as illustrated in FIG. 2, is a component of telepay TSN 30. As can be seen from FIG. 1, merchant terminal 70 represents the merchant in the described payment transactions of Hultgren and telepay TSN 30 is "a special function node" (col. 3 lines 39-41) that is connected to the merchant terminal 70 by PSTN 50. Although the customer identifier is provided to the module 202 of telepay TSN 30, Hultgren does not teach or suggest that the customer identifier is ever transmitted to the merchant terminal 70. Accordingly, Hultgren does not teach or suggest that the customer identifier is provided to the merchant, as required by claim 1.

The Appellants note the fact that a certain result or characteristic may occur or be present in the prior art is not sufficient to establish the inherency of that result or characteristic. "To establish inherency, the extrinsic evidence 'must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.'" *In re Robertson*, 169 F.3d 743, 745 (Fed. Cir. 1999).

In Hultgren, the customer communicates directly with the telepay TSN 30. There is no intrinsic or extrinsic evidence the merchant in Hultgren is the conduit of information between the customer and the telepay TSN 30. Accordingly, the Examiner has failed to establish that Hultgren inherently teaches or suggests the element of a customer providing a merchant with a customer identifier.

Hultgren teaches that:

a customer who operates customer mobile station 60 seeks to purchase goods or services from a merchant. The merchant has merchant terminal 70 which functions as a computerized cash register and which has modem connection to PSTN 50. The customer via customer mobile

station 60 can make payment for the goods or services using telepay TSN 30, and particularly can transfer funds from the customer's account in customer financial institution 80 to the merchant's account in merchant financial institution 90. (col. 4 lines 13-22).

FIG. 5A depicts a first mode of the invention, in which the transaction occurs while the customer is at the merchant's premises 92A. At the merchant's premises 92A the customer acquires the merchant identifier and the transaction amount." (col. 4 lines 27-31).

In brief, suppose that the customer wants to pay \$100US for a good or service, or for payment of a bill or invoice (such as a utility bill, for example). In accordance with the present invention, the customer merely dials the directory number of the telepay TSN 30 (e.g. a A1-800" directory number) and, in response to prompts generated by telepay TSN 30, enters a merchant identifier and a transaction amount (\$100US). (col. 4 lines 48-55).

As depicted by event E1 in FIG. 1, the customer merely dials on customer mobile station 60 the directory number of the telepay 30. (col. 6 lines 17-19).

[A]t step 334 transfer coordination module 206 directs that a transaction verification request message be sent to merchant terminal 70. In this regard, transfer coordination module 206 provides verification unit 204-3 with the current to [sic] transaction code, the merchant identifier, and the transaction amount. Verification unit 204-3 in turn generates a verification request message which is transmitted to merchant terminal 70 and depicted as event E9 in FIG. 1. (col. 8 lines 32-40).

It is abundantly clear from the above quoted sections of Hultgren that the customer communicates directly with the telepay TSN 30 and therefore it is simply not necessary for the customer to provide a customer ID to the merchant. The customer ID is provided directly to the telepay TSN 30 from the customer mobile station 60 and does not pass through the merchant terminal 70 (see Hultgren FIGs. 1, 1A, and 1B). To complete the transaction, the customer provides the customer ID, a merchant identifier, and the transaction amount to the telepay TSN 30 and the funds are transferred to the merchant's account. Even when a transaction verification request message is sent to merchant terminal 70, the message only is taught to contain the transaction code, the merchant identifier, and the transaction amount, but not the

customer ID. In short, the method of Hultgren is able to complete a transaction without ever providing the customer ID to the merchant terminal 70, even as part of the verification request message.

Hultgren does not expressly or inherently teach nor suggest the element of the merchant sending the customer identifier and a transaction amount to a settlement house.

Claim 1 further recites "the merchant sending the customer identifier and a transaction amount to a settlement house." As noted above, the merchant does not receive the customer identifier, so it follows that the merchant cannot send the customer identifier to a settlement house. The Examiner points to item 206 of FIG. 2 with respect to this limitation. March 15, 2006 Non-Final Office Action, p. 3. Regarding item 206, Hultgren teaches that "the customer communication module 202 sends ... the customer identifier to transfer coordination module 206" (col. 6 lines 53-56) and then "the transfer coordination module 206 sends to the financial institution communication module 208 a signal which includes ... the current customer identifier" (col. 7 lines 2-5). In short, transfer coordination module 206 receives the customer number from customer communication module 202 and passes it to the financial institution communication module 208. In no way does the operation of transfer coordination module 206 read on a merchant sending a customer identifier to a settlement house.

Hultgren does not expressly or inherently teach nor suggest the element of the customer selecting a payment method and transmitting the selected payment method to the settlement house.

Hultgren only teaches a prearranged payment method. For example, Hultgren provides the following example of the payment method in operation:

In brief, suppose that the customer wants to pay \$100US for a good or service, or for payment of a bill or invoice (such as a utility bill, for example). In accordance with the present invention, the customer merely dials the directory number of the telepay TSN 30 (e.g. a A1-800" directory number) and, in response to prompts generated by telepay TSN 30, enters a merchant identifier and a transaction amount (\$100US). The merchant identifier is provided by the merchant (e.g., prominently

displayed at the merchant's premises 92A [see FIG. 5A] or shown on the merchant's web page displayed on monitor 64B [see FIG. 5B] or laptop [see FIG. 5C]). The transaction amount is the total cost for the good or service or bill amount. Telepay TSN 30 sends a verification message to at least one, and preferably both, parties to the transaction. In this regard, telepay TSN 30 sends a verification message to the merchant, providing (e.g., on a cash register display) the transaction amount to be credited to the merchant's account and a transaction code. A similar verification message is sent to customer mobile station 60. If in agreement, both the customer and the merchant then send a verification message to telepay TSN 30. Telepay TSN 30 then arranges for the customer account to be debited, and the merchant account to be credited, by the transaction amount. (col. 4 line 48 – col. 5 line 4, emphasis added)

Nowhere in the above description does the customer select a payment method before telepay TSN 30 arranges for the customer account to be debited.

The Examiner suggests that the limitation of the customer selecting a payment method and transmitting the selected payment method to the settlement house can be found in item 306 of FIG. 3B, though item 306 is actually found in FIG. 3A. March 15, 2006 Non-Final Office Action, p. 3. Item 306 says “determine customer financial institution and customer account identifier” but does not indicate whether this is selected by the customer or another entity. The specification, however, makes it clear that in “step 306, telepay TSN 30 determines the customer financial institution address and the customer account identifier” (col. 6 line 66 – col. 7 line 1). Nowhere in the description of item 306 does Hultgren teach that the customer selects a payment method or transmits a payment method. It should be apparent, moreover, that in item 306 the action of determining the customer financial institution address is not particularly a selection of a payment type, but merely a look-up of a stored value from a database. Specifically, “customer search engine 208-3 locates a record in data base 222 having the customer identifier in field 222A, and obtains the customer financial institution address” (col. 7 lines 8-11). Here, although one might construe “determine customer financial institution” from item 306 in FIG. 3A to refer to a selection between alternative financial institutions, a reading of the supporting specification makes it clear that no such choice is made by the customer.

Since the payment method is prearranged, the transaction can happen without the customer making a payment method selection. A system that employs a default selection cannot read on the limitation of "the customer selecting a payment method," since the customer does not actually select the payment method when paying for goods or services. Here, the claim language requires that the customer make a selection, and Hultgren does not teach or suggest the customer making a selection since the payment method is prearranged. Further, since the payment method is prearranged, the customer in Hultgren does not transmit the selected payment method to the settlement house, as required by claim 1. Despite applicants raising this argument twice before the Examiner (i.e. in response to the Examiner's March 15, 2006 Non-Final Office Action and in response to the Examiner's February 27, 2007 Final Office Action), the Examiner never responded to applicants' position on this issue. MPEP §707.07(f), entitled "Answer All Material Traversed," states "[w]here the applicant traverses any rejection, the examiner should, if he or she repeats the rejection, take note of the applicant's argument and answer the substance of it." Here, the Examiner failed to do so (twice).

The Examiner can not side-step the requirement for all claim limitations to be taught or suggested by the prior art by relying on personal experience or opinion to constitute the prior art in order to reject claims 1-12 based on an apparent obviousness rejection in the Examiner's Second Advisory Action that was mailed after Appellants' filing of a Notice of Appeal.

On September 5, 2007, after appellants had filed their Notice of Appeal, the Examiner provided a new ground for rejecting claims 1-12 based on perceived obviousness. In so doing, the Examiner improperly argues that the steps of:

- 1) a customer providing a merchant with a customer identifier; and
- 2) the customer selecting a payment method and transmitting the selected payment method to the settlement house,

are so well known in the art as to constitute the basis for Official Notice. September 5, 2007 Advisory Action, continuation sheet. Respectfully, such reliance on personal knowledge

by the Examiner is improper. The above steps can not be grafted or super-imposed onto Hultgren under the guises of Official Notice.

Additionally, such reliance on personal knowledge by the Examiner is improper because it is never appropriate to rely solely on "common knowledge" in the art without evidentiary support in the record. "[T]he Board cannot simply reach conclusions based on its own understanding or experience-or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings." *In re Zurko*, 258 F.3d 1379, 1385 (Fed. Cir. 2001). Here, neither the Board nor the Examiner can point to such "concrete evidence in the record in support of these findings." Further, "[t]he applicant should be presented with the explicit basis on which the examiner regards the matter as subject to official notice and be allowed to challenge the assertion in the next reply after the Office action in which the common knowledge statements was made." MPEP §2144.03(B).

(D) Novelty and Non-obviousness of Dependent Claims 11 and 12

Claim 11 has been rejected under 35 U.S.C. §102(e) as being anticipated by Hultgren. Claim 11 requires that the payment method is a debit card. The Examiner asserts that this limitation is taught by Hultgren at column 1 line 22. March 15, 2006 Non-Final Office Action, p. 4. However, this portion of Hultgren refers to prior payment systems, "[m]any consumer-based commercial transactions involve payment using a credit card or bank debit card" (col. 1 lines 21-22) and then notes the trouble with the use of a debit card, "debit cards are of no value if left at home or otherwise unavailable at the time of the transaction." (col. 1 lines 41-42) Nowhere does Hultgren discuss debit cards with reference to the method that is the subject of the patent. In the Final Office Action, the Examiner repeated the rejection but did not address the applicants' rebuttal argument. February 27, 2007 Final Office Action, p. 4. MPEP §707.07(f), entitled "Answer All Material Traversed," states "[w]here the applicant traverses any rejection,

the examiner should, if he or she repeats the rejection, take note of the applicant's argument and answer the substance of it." Here, the Examiner failed to do so.

Claim 12 has been rejected under 35 U.S.C. §103(a) as being unpatentable over Hultgren in view of official notice. Claim 12 incorporates the method of claim 1, and further recites that if the electronic transaction is not approved by the financial service provider, the customer selecting an alternate payment method. The Examiner failed to address the limitations of claim 12 in the March 15, 2006 Non-Final Office Action and applicants therefore considered claim 12 to include allowable subject matter. Applicants note because Hultgren does not provide for the customer to choose between alternative payment methods, claim 12 is not taught by Hultgren. In the Final Office Action, the Examiner switched to a new ground of rejection under 35 U.S.C. §103(a) and took Official Notice. February 27, 2007 Final Office Action, p. 5. In their April 27, 2007 Amendment after Final, applicants contended that the Office Action was improperly made final since applicants did not amend any claims. April 27, 2007 Amendment after Final, p. 7. Further, the applicants pointed the Examiner's attention to MPEP §2144.03(B), which notes that "[t]he applicant should be presented with the explicit basis on which the examiner regards the matter as subject to official notice and be allowed to challenge the assertion in the next reply after the Office action in which the common knowledge statement was made." Because Official Notice was not taken until the rejection was made Final, applicants were unfairly prohibited from challenging the assertion. Applicants also noted that MPEP §2144.03(D) titled "Determine Whether the Next Office Action Should Be Made Final" clearly implies that Official Notice should only be taken in a non-final Office Action so the applicant can have an opportunity to respond. Per MPEP §706.07 "[i]n making the final rejection, all outstanding grounds of rejection of record should be carefully reviewed, and any such grounds relied on in the final rejection should be reiterated." Here, despite the applicants' request that the finality of the February 27, 2007 Final Office Action be withdrawn on this basis, the Examiner ignored the request.

CONCLUSION

For all the foregoing reasons, it is requested that the Board of Patent Appeals and Interferences reverse the rejection of the Examiner regarding claims 1-12 so that this case may be allowed and pass to issue in a timely manner.

Respectfully submitted,

Chang et al.

Date: 3-6-2008

By: K. Brian Bathurst

K. Brian Bathurst, Reg. No. 51,442
Carr & Ferrell LLP
2200 Geng Road
Palo Alto, CA 95054
Phone: (650) 812-3400
Fax: (650) 812-3444

(8) Claims Appendix

Claims on Appeal:

1. A method for settling an electronic transaction, comprising the steps of:
 - a customer providing a merchant with a customer identifier;
 - the merchant sending the customer identifier and a transaction amount to a settlement house;
 - the settlement house contacting the customer;
 - the customer selecting a payment method and transmitting the selected payment method to the settlement house;
 - the settlement house sending the transaction amount and customer identifier to a financial service provider associated with the payment method;
 - if the electronic transaction is approved by the financial service provider, sending an approval to the settlement house;
 - the settlement house sending the approval to the customer;
 - the customer approving the transaction amount; and
 - the settlement house finalizing the electronic transaction with the financial service provider and the merchant.
2. The method of claim 1, wherein the settlement house finalizes the electronic transaction with a merchant's financial service provider.
3. The method of claim 1, wherein the financial service provider is a bank where the customer maintains an account.
4. The method of claim 1, wherein the financial service provider is a credit provider that issued a credit card to the customer.
5. The method of claim 1, wherein the customer identifier is an account number.

6. The method of claim 1, wherein the customer identifier is a customer name.
7. The method of claim 1, wherein the customer communicates with the settlement house via a mobile communication device.
8. The method of claim 7, wherein the mobile communication device is a mobile telephone.
9. The method of claim 7, wherein the mobile communication device is a handheld computing device.
10. The method of claim 1, wherein the payment method is a credit card.
11. The method of claim 1, wherein the payment method is a debit card.
12. The method of claim 1, further comprising the step of:
if the electronic transaction is not approved by the financial service provider, the customer selecting an alternate payment method.

(9) Evidence Appendix

Not applicable in the present appeal.

(10) Related Proceedings Appendix

Not applicable in the present appeal.